"J00D00 – MDOT Maryland Port Administration"

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

1. MPA Business Trends – MPA's Cruise Business (Page 14)

MPA should update the committees on the status of efforts to develop a permanent cruise terminal, including the status of terminal development projects proposed by private developers.

MPA Response:

In April 2002, Canton Crossing LLC submitted an unsolicited proposal for development of a new permanent cruise terminal through the MdTA Public Private Partnership process. The proposed facility would be part of a 51 acre mixed use development comprised of office buildings, parking garages, retail businesses, restaurants, banking and hotel facilities.

- Development of a cruise terminal at this site will require construction of a completely new pier and terminal building.
- The developer will procure private financing for the project. However, the State is expected to commit to a long-term lease, which will cover all development, construction and financing costs for the cruise terminal. As such, the State would assume all market risks related to the future number of cruises and passengers and the level of revenues received from cruise lines and passengers. Also, MPA would be responsible for the marketing and operation of the terminal.
- The cost estimate for this proposal is approximately $67 million.
- DBED and Canton Crossing LLC are currently reviewing the proposal to identify cost reductions, per the Governor's request.

The MPA has proposed a lower cost alternative as a temporary cruise facility at South Locust Point Marine Terminal.

- MPA would use a portion of the publicly owned South Locust Point Marine Terminal and possibly purchase or lease the adjacent property owned by Tyco Communications.
- This alternative is significantly less costly since it will use an existing pier, navigational channels and cargo shed.
- The cost estimate is $12 million; funding is not in the current CTP.

The current cruise terminal at Dundalk Marine Terminal Shed 3A is not a viable option for a long-term facility because: cruise conflicts with cargo operations; cruise operations consume limited cargo space; and this site requires the use of costly shuttle bus services.

DBED encourages any other parties interested in developing a cruise facility to submit a proposal.

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

2. MPA Business Trends – MPA's Operating Revenues Increased by more than 16% between Fiscal 2002 and 2003 (Page 15)

The Department of Legislative Services (DLS) recommends that MPA discuss with the budget committees why operating expenses in fiscal 2004 are expected to outpace operating revenue attainments in that year, thus requiring an increased subsidy from the Transportation Trust Fund (TTF).

MPA Response:

FY03 revenues included a one-time adjustment of $2.9M for prior year receivables ($1.7M) and reimbursement from Honeywell for chrome removal costs ($1.2M) as directed by DBM. FY03 adjusted operating revenues were $89.0M versus $91.9M as reflected in the DLS report.

Based on how Operating Income for the MPA has traditionally been determined (leaving out the exclusions), in fiscal year 2004, the MPA projects a Net Operating Income of $2.8 million.

In fiscal year 2004, the MPA's operating expenses with exclusions will outpace the MPA's total operating revenues for several reasons as follows:

- The expenses which are traditionally excluded in determining the operating income of the MPA (exclusions) increased significantly:
    - The lease payment for construction and use of Seagirt Marine Terminal increased (by 6%)
    - The Payments in Lieu of Taxes to Baltimore City more than doubled.
    - Small capital equipment purchases more than doubled.

- The stevedoring costs associated with Maryland International Terminals (MIT) increased due to cargo volume increases, however these increased costs are supported by offsetting revenues.

- Even with the increased revenues associated with MIT business, revenues from selected other sources for the MPA declined or were stagnant, such as:
    - Loss of revenue while the Toyota Terminal was vacant or suboptimally used for a period of several months.
    - Loss of revenue as the volume of domestic automobiles handled on our terminals declined.

Also, the MPA is always very conservative in its projections of revenues.

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

3. Economic Impact of POB on the State (Page 18)

DLS recommends that MPA discuss with the budget committees the impact that the strong growth in cargo volumes observed in 2003 may have had on the port's economic impact on the State, particularly in creating direct, induced and indirect jobs.

MPA Response:

In the summer of 2003, the MPA conducted a comprehensive study of the economic impacts generated by the Port of Baltimore (POB) using cargo data from 2002. This study provides a good "snapshot" in time of the Port's overall economic impact.

By the end of 2003, a new high-water mark was achieved by moving over 7,179,000 tons of general cargo across MPA's public terminals. This is a 7.4% growth in tonnage over 2002 for the public terminals and generated considerable economic impact to the region. While care must be taken to understand that periodic studies of economic impacts are best used to identify economic performance and trends over time, the increased economic impact associated with MPA's terminals is estimated below:

	2002	2003	Change	% Change
Direct Jobs	7,172	7,522	350	+ 4.9%
Induced Jobs	3,331	3,488	157	+ 4.7%
Indirect Jobs	2,035	2,093	58	+ 2.9%
Total Jobs	12,538	13,103	565	+ 4.5%

External data for the private terminals' cargo volumes are not yet available for 2003. Whereas the foreign general cargo handled at the port's private terminals has shown positive growth, the private terminals' bulk commodities have declined 15% for the first nine months of 2003. The majority of this decline is in two commodities: coal exports, and iron ore imports. The POB handles a very diverse range of commodities and, based on global demands at any one time, some commodities will be up while others are down. This diversity of cargo is a strength of the port.

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

4. MPA Submitted Security Assessment and Plan to U. S. Coast Guard (Page 19)

DLS recommends that MPA discuss with the budget committees the status of its effort to implement its Security Plan by the required date of July 1, 2004. MPA should also discuss the anticipated cost of implementing the Plan, including providing an estimate of additional State-sourced funding that may be required in fiscal 2004 to strengthen security.

MPA Response:

The Facility Security Plan (FSP) for the Port of Baltimore Marine Terminal Facilities owned by the State of Maryland was submitted on December 30, 2003 to the United States Coast Guard (USCG), as required under USCG Maritime Security Regulations (33 CFR 105). The regulations include a three (3)-phase review process. Phase 1 is a review of the FSP to ensure that all of the required information is included in the document submitted. Phase 2 is a review of the content submitted to ensure that the FSP addresses required security concerns as outlined in the regulations. Phase 3 is the approval of the FSP by the local USCG Captain of the Port.

MPA's FSP is in Phase 2. The stated intension of the Captain of the Port is to provide approval or requests for changes to the FSP well before the implementation date of July 1, 2004.

The MPA is currently developing an implementation plan for the action items included in the FSP. The major items include: developing the security procedures to be used at all MPA maritime facilities; initiating the procurement of required equipment; planning roll-out meetings for port community members who need to be informed about the security plans, and addressing staffing and budget requirements.

Based on current estimates and the FSP as submitted, the anticipated operating costs in FY04 for implementing the items as outlined are expected to be in the $800,000 range, as reflected in our current FY04 Appropriation. These costs cover the purchase of security equipment, staffing (MdTA and MPA), consulting, and training costs in FY04. The FY05 operating budget has a $100,000 increase over FY04.

It should be emphasized that the USCG has not yet accepted our FSP. On the basis of USCG review and determination, future operating and capital costs may increase.

MPA's capital program has been awarded over $10.7M in six Federal grants to improve terminal security. This funding, along with the State match of $2.4M, will meet our highest priority security needs in FY04 and FY05. Unfunded security related capital projects for FY06 and beyond, which have been identified to date, are estimated to cost between $4.5M and $5M. This estimate could change based on the USCG's comments on our Plan or other evolving security requirements. The next solicitation for Federal port security grants is expected in Spring 2004.

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

5. New Dredge Material Placement Sites Are Being Studied (Page 22)

DLS recommends that MPA brief the committees on the progress of its effort to develop new placement sites for both clean and contaminated dredged materials before current containment capacity is exhausted.

MPA Response:

Since 2000, a variety of stakeholders have been working with Maryland's Dredged Material Management Program (DMMP) to develop a long-term dredged material management plan for the Port of Baltimore. While there is a strong process for identifying and recommending new placement options, an actual plan for managing dredged sediments to 2030 or longer (based on final site selection, and environmental & funding approvals) does not yet exist. The next step in this effort is to conduct feasibility studies on six candidate options that have been recommended as acceptable, affordable, and implementable before current containment capacity is exhausted.

Recommendations were developed during 2003 through a stakeholder process, and presented to the legislatively established Executive Committee that oversees Maryland's DMMP. In December this Committee adopted a suite of recommendations intended to move the Port of Baltimore an important step closer to a long-term management plan for dredged sediments. The recommendations address three major challenges relating to shipping channels:

- Placement options for clean sediments from the open-Bay;
- Placement options for contaminated sediments from Baltimore Harbor; and
- Innovative reuse of dredged material (recycling into a useable product) over the long-term.

Most recommendations focus on the feasibility level studies needed to develop a concept into a recommendation for project selection. Feasibility studies are part of the rigorous environmental review conducted by Federal regulatory agencies. These studies will refine technical information that ultimately determines a candidate option's suitability and eventually guides project engineering and design. MPA is funded and under contract to initiate the required feasibility studies.

OPTIONS RECOMMENDED FOR FEASIBILITY STUDY OVER THE NEXT 2 YEARS:

For open Bay channels:

- Poplar Island – feasibility study of expanding through dike raising and / or lateral expansion, the Poplar Island environmental restoration project in Talbot County, MD.
- James Island – feasibility study of restoring James Island in Dorchester County, MD.
- Barren Island - feasibility study of restoring Barren Island in Dorchester County, MD.

“J00D00 – MDOT Maryland Port Administration”

MDOT RESPONSE TO DLS ANALYSIS

For Baltimore Harbor channels - Initiate feasibility studies on a “package” of dredged material containment facilities and community enhancement options are recommended over the next two years:

Candidate placement options:
- Masonville – feasibility study of a facility in the Fairfield area of Baltimore City.
- BP / Amoco – feasibility study of a facility in the Fairfield area of Baltimore City.
- Sparrows Point – feasibility study of a facility in Eastern Baltimore County.

Candidate community enhancement options:
- Shoreline and public access enhancements to Masonville Cove and Jones Creek.
- Wetlands creation at Sollers Point.
- Sediment enhancement within Bear Creek, Old Road Bay, and Jones Creek.
- Land creation for a community development project west of Key Bridge and east of the Dundalk Marine Terminal on the Patapsco River.
- A Heritage Trail project that highlights historic and current community ties to Port industries.

Concerning the innovative reuse of dredged material:
- Develop a strategy for managing 500,000 cubic yards annually of dredged material through cost-effective innovative reuses by 2023.

The goal of the Dredged Material Management Program within the next two years is to recommend to the Governor and General Assembly which candidate sites should be selected. That recommendation will enable the Port of Baltimore to initiate steps to seek appropriate State and federal approvals for construction of new, long-term placement capacity for dredged material.

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

6. Grain Task force Recommends MPA Study the Feasibility of Building a Barge Transshipment Site (Page 24)

DLS recommends that MPA discuss with the budget committees the cost and potential timing of a study of barge transshipment sites. MPA should discuss potential sites in POB and in other locations where a transshipping facility could be located. Further as two truck-to-rail grain transshipping sites opened in Maryland in 2003 – one at Keymar Fertilizer in Carroll County and one at the Canton Railroad transloading facility in Baltimore City – through the combined efforts of public and private interests, MPA should discuss the potential for attracting private participation in the construction and operation of a barge transshipping site.

MPA Response:

The MPA has begun a study of sites around Maryland's Chesapeake Bay and its navigable tributaries for the potential location of a barge trans-loading facility. The study is expected to take four months and cost approximately $50,000.

Several potential general areas of the state were identified by Task Force members for such a facility. These areas include: Southern Maryland along the Potomac River; along the Patuxent River; Baltimore City; the Havre de Grace area; and along the Elk River. Specific sites will be identified in these areas and assessed for their potential to develop the required infrastructure to best serve Maryland farmers on a permanent basis. Acquisition, development and operating costs will also be estimated.

The private sector consumers and marketers of Maryland soybeans have participated very actively in developing alternatives for transporting soybeans produced by Maryland farmers to markets. Being of mutual benefit, it is likely that this participation will continue, at least for the short-term. Long-term, and for development of a barge transloading terminal expecting to cost in the estimated $2 to $2.5 million range, state support may be needed.

MDOT RESPONSE TO DLS ANALYSIS

DLS Major Issues

7. Grain Task force Recommends MPA Study the Feasibility of Building a Barge Transshipment Site (Page 24)

DLS also recommends that the budget committees add budget language prohibiting the expenditure of any funds from the TTF on the reconstruction of a grain elevator or any related infrastructure, including a grain pier.

MPA Response:

The Grain Task Force analysis of grain transport trends and associated transportation economics concluded that it would not be feasible to reestablish a large-scale grain export facility at the Port of Baltimore. The task force also concluded that a barge transshipment alternative appears to be the most cost effective method to assist Maryland farmers by reducing their transportation costs; however, the long-term economic viability of such a facility is uncertain.

The MPA does not contemplate and has no plans to develop or seek funds to develop a large-scale grain exporting pier, elevator or any related infrastructure. There is however, the potential to utilize the MPA's North Locust Point Marine Terminal (NLP) as a site for a barge transloading facility. This terminal, which was the location of the defunct ADM grain export operation, has some of the needed infrastructure and has been a traditional transshipment point for Maryland grain for many years. NLP will be evaluated as part of the barge site study. Development of the barge transload facility at NLP would require the expenditure of funds from the TTF to prepare the site including complete demolition of the existing grain pier and improvements to the marginal wharf to berth barges. However, the MPA would collect revenue from this operation.

Depending on the status and physical condition of any specific sites identified in the barge site study, funds to bring the site up to the necessary capability for transporting Maryland soybeans by barge could possibly be needed after FY04.

Therefore, MPA respectfully requests that no budget language be added that restricts funds from being expended related to a barge transload facility in the future.

Paygo Capital Budget Recommended Actions

1. Add the following language:

> No funds shall be expended form the Transportation Trust Fund to construct a grain elevator or a grain pier in the Port of Baltimore.

MPA Response:

The MPA respectfully requests that the budget language be modified to not restrict expenditure of funds related to a barge transload facility:

> No funds shall be expended from the Transportation Trust Fund to construct facilities related to the export of grain by ocean going vessel from the Port of Baltimore.